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TO: Dave Rayford, Chief Information Officer
Information Technology Services

FROM: Irvin Corley, Jr., Fiscal Analysis Director

DATE: May 4, 2005

RE: 2005-2006 Budget Analysis

24.

Attached is our budget analysis regarding your department's budget for the upcoming 2005-2006 Fiscal Year.

Please be prepared to respond to the issues/questions raised in our analysis during your scheduled hearing. We would then appreciate a written response to the issues/questions at your earliest convenience subsequent to your budget hearing. Please forward a copy of your responses to the Councilmembers and the City Clerk's Office.

Please contact us if you have any questions regarding our budget analysis.

Thank you for your cooperation in this matter.

IC:cyb

Attachment

cc: Councilmembers
Council Divisions
Auditor General's Office
Sean Werdlow, Chief Financial Officer
Roger Short, Budget Department Director
June Ellis, Budget Department Team Leader
Kandia Milton, Mayor's Office

Information Technology Services (31)

FY 2005-06 Budget Analysis by the Fiscal Analysis Division

Summary

The Information Technology Services Department (ITS) is a General Fund agency. The recommended 2005-06 budget is \$25.32 million, which is \$3.9 million (13.4%) less than the current year's budget. The department's net tax cost recommended for next year is \$24 million, \$4.39 million less the current fiscal year's net tax cost.

2004-05 Surplus/(Deficit)

The Administration anticipates an overall surplus of \$3.65 million due primarily to a \$3.9 million appropriation surplus due to vacancies primarily in the Programmer Analyst positions, offset by a revenue deficit of \$250,000 due to a revenue shortfall resulting out of DWSD acquiring its own in-house billing system.

Overtime

The overtime budget for the current fiscal year is \$338,000. Through March 31, 2005, the department has spent \$310,268 (91.79%) of its current overtime budget.

The recommended overtime budget for 2005-06 is, \$346,126 a slight \$8,126 (2.4%) increase.

Personnel and Turnover Savings

The Mayor is recommending a net increase of 32 positions, which include the transferring in of 53 positions. The additions are offset by 14 layoffs, and the elimination of 7 vacancies.

<u>Appropriation/Program</u>	<u>Budgeted Positions FY 2004-05</u>	<u>Filled Positions 3/31/2005</u>	<u>Mayor's Budget Positions FY 2005-06</u>	<u>Over/(Under) Actual to 04/05 Budget</u>	<u>Mayor's Recommended Turnover</u>
Information & Tech. Services (31):					
310010 Ofc. Of Info. Tech. Svcs.	4	4	4	0	\$ -
310020 Contracts & Administration	7	7	6	0	\$ -
310035 Enter. Application Supp. Team	13	14	10	1	\$ -
310050 Client Support Services	4	4	1	0	\$ -
310060 Personal Computer Services	3	3	3	0	\$ -
310070 System Support & Mgmt.	9	8	9	(1)	\$ -
310080 Data Network Services	5	5	5	0	\$ -
310090 Client Server-New Applications	6	6	5	0	\$ -
310100 Non-Financial Applications	11	10	10	(1)	\$ -
310110 Financial Applications	5	6	0	1	\$ -
310120 Emerging Technologies	1	0	0	(1)	\$ -
310130 Operations	18	16	16	(2)	\$ -
310140 Input/Output Services	3	3	3	0	\$ -
310170 Water Board Project	5	4	3	(1)	\$ -

Appropriation/Program	Budgeted	Filled	Mayor's	Over/(Under)	Mayor's
	Positions	Positions	Budget	Actual to	Recommended
	<u>FY 2004-05</u>	<u>3/31/2005</u>	<u>FY 2005-06</u>	<u>04/05 Budget</u>	<u>Turnover</u>
310230 Planning & Development	1	0	1	(1)	\$ -
310240 Building & Safety	5	5	5	0	\$ -
310290 Special Projects & Initiatives	2	2	2	0	\$ -
310300 Public Safety	11	10	36	(1)	\$ -
310310 Geographic Information Svcs.	5	5	4	0	\$ -
310320 Security & Quality Assurance	1	1	0	0	\$ -
310330 Voice Communications	2	1	2	(1)	\$ -
00024 Data Processing	121	114	125	(7)	\$ -
11827 Publishing Services	0	0	12	0	\$ -
11828 Mailroom & Delivery	0	0	16	0	\$ -
TOTAL	<u>121</u>	<u>114</u>	<u>153</u>	<u>(7)</u>	<u>\$ -</u>

The 2005-06 proposed budget requires 7 layoffs in the ITS Department. The department is gaining a net total of 32 positions, which include 53 transfers. The additions are offset by the elimination of 7 vacancies, and 14 layoffs. The position changes as proposed are detailed below.

Title	Deletes	Layoffs	Transfers	Total
Sr Data Processing Programmer	(2)	(6)		(8)
General Manager - ITS		(2)		(2)
Systems Programming Coordinator	(1)			(1)
ITS Software or Applications Mngr		(1)		(1)
Data Processing Telecomm. Tech		(1)		(1)
Principal Data Process. Programmer	(1)	(1)		(2)
Principal Clerk		(1)	1	0
Head Clerk			1	1
Senior Clerk			1	1
Intermediate Data Process. Program.	(1)	(1)		(2)
Supv Radio Maintenance Technician			2	2
Sr. Radio Maintenance Technician			2	2
Radio Maintenance Worker			5	5
Radio Maintenance Technician			15	15
Sr. Storekeeper			1	1
Principal Graphic Designer			1	1
Web Editor			1	1
Graphic Designer			3	3
Photographer-General			1	1
Print Shop Supervisor			1	1
Head Clerk			2	2
Printing Production Clerk			1	1
Offset Printer			1	1
Duplicating Devices Operator			1	1
Deliver Driver			13	13
Principal Government Analyst		(1)		(1)
Sr Data Proc Progr Analyst	(2)			(2)
ITS Totals	<u>(7)</u>	<u>(14)</u>	<u>53</u>	<u>32</u>

Significant Funding by Appropriation

<u>Appro.</u>	<u>Program</u>	
00024	Central Data Processing	This appropriation decreases by \$7 million due primarily to the following Cost Center items 0010 - 0330: Consistent throughout is reductions in contractual services, hardware/software maintenance and equipment acquisitions:
<u>Cost Center</u>	<u>Description</u>	
0010	Office of Information Technology Services	This decreases slightly by \$184,980 due primarily to a decrease in salaries & benefits, due to Citywide 10% salary cuts. In addition, there is a \$69,500 reduction in contractual services –Info Tech due to a cut of one contractual employee. This reduction will create a greater reliance upon division managers and technicians.
0020	Contracts & Administration	This decreases by \$293,000 in 2005-06 FY, due primarily to a net reduction of one position and corresponding reductions in salary & benefits, a \$119,000 reduction for a funding adjustment for building rent and the elimination of \$25,000 in funding for staff development training. ITS believes the division can forgo training due to the fact that ITS overall has a relatively high staff retention rate, thereby eliminating the need for extensive staff training.
0035	Enterprise Application Support Team	This cost center budgeted at \$1.4 million in 2005-06, formerly DRMS Cost Center. This cost center is reduced by \$861,000, due primarily to \$542,000 net reduction in salary and benefits decreases due to the net reduction of three positions, a \$188,000 reduction in contractual services costs resulting from the reduction of the removal of one contractual positions related to Oracle support, and a \$130,000 reduction in software maintenance due to contract renegotiations with vendor.
0040	Education & Training	Funding for this cost center is eliminated from the 2005-06 FY budget. In the 2004-05 fiscal year the <u>\$477,000</u> in this org, which includes <u>\$455,000 for building rental</u> and <u>\$22,000 for electrical utilities</u> , is currently being used to facilitate the <u>Mayor's Strategic Management Office</u> for office space in the former ITS training area. In 2005-06, however, the Strategic Management Office will move into surplus office space provided by the Law Department, thereby moving into the space at no cost.

0050	Client Support Services	This Cost Center decreases by \$481,000, due primarily to \$303,000 decrease in salary and employee benefits and a \$178,000 decrease in professional/contractual services due to a reduction of one contractual employee. The contractual employee reduction in Client Support Services will slow down the department's response time to technical problems.
0060	Personal Computer Services	Cost Center decreases by \$1 million, due primarily to the elimination of \$1.2 million for the cost for hardware & software maintenance due to anticipated renegotiated contracts and a \$676,000 reduction for professional/contractual services due to a cut in contractual employees and overtime for contractual employees, and reductions in salary & benefit costs due to the Citywide 10% salary cuts, offset by a \$1 million increase in software maintenance. ITS will focus more on repairing than on replacing items.
0070	System Support & Management	This decreases by \$1.59 million due primarily to a \$1.52 million reduction in software maintenance costs due to an anticipated renegotiated contract. Due to the timing of software acquisitions the department anticipates a reduced need for software maintenance in the 2005-06 FY. Also included is a \$169,000 reduction in salary and employee benefits, offset by a \$96,000 increase for the cost of one contractual employee.
0080	Data Network Services	This Cost Center decreases by about \$187,000 due primarily a \$100,000 reduction in equipment acquisitions, due to the lack of the need to purchase any additional Citywide computer network equipment in FY 2005-06, and an \$87,000 decrease in salary and employee benefit costs, due to the Citywide 10% cuts.
0090	Client Server – New Applications	Cost Center decrease by \$217,000. This is due to a reduction in salary and employee benefits due to the removal of one position, in addition to an overall 10% reduction in 2005-06.
0100	Non-Financial Applications	Cost Center decreases by \$86,000 due primarily to a decrease in salaries & employee benefit costs associated with the removal of one position.
0110	Financial Applications	Cost Center and five positions are eliminated from the 2005-06 FY budget. The work of this division on special City financial applications will now be handled by other various divisions within the department. ITS determined that the volume of work does not require a division of five people.

0120	Emerging Technologies	Cost Center is eliminated from the 2005-06 FY budget, due to the elimination of the one position, a vacancy, from the 2005-06 FY budget.
0130	Operations	Cost Center reduced by \$1 million due primarily to a reduction of \$3.976 million, due to the elimination of the debt on payment on servers and equipment (last payment in FY 2004-05). In addition, there is a \$100,000 reduction, due to the elimination of the costs for the acquisition of equipment, a \$49,000 reduction for printing, a \$275,000 reduction in salaries & benefits, due to the loss of two positions and a slight \$20,000 reduction in hardware maintenance. The decreases are offset by a \$3.375 million increase (from zero) for the repair and maintenance of equipment, due to a renewed focus on repairing rather than replacing equipment.
0150	Help Desk	Cost Center is eliminated in the 2005-06 FY, thereby removing \$160,000 from the budget, which currently consists of the division's contractual services dollars. The department does, however, anticipate that despite the reductions, that contractual staff elsewhere in the department will provide Help Desk services, combining with the Tivoli maintenance software.
0170	Water Board Project	Cost Center decreases by \$184,000 due to the loss of two positions with a reduction in salary and benefits costs, due to the fact that DWSD has its own in-house billing system.
0240	Building & Safety	Cost Center decreases by \$117,000 due primarily to decreases in salary and employee benefits related to the Citywide 10% cuts.
0290	Special Projects & Initiatives	This Cost Center budgeted at \$157,000, is a Department of Justice Initiative. Through this initiative, the department will assist the Police Department with implementing the changes mandated by the Department of Justice. This decreases slightly by \$22,000 in 2005-06 FY.
0300	Public Safety	Cost Center increases by \$1.2 million due primarily to the transfer of 25 Detroit Police Department (DPD) civilian positions to ITS, in order to service the 800 MHZ system. The increase consists of a \$1.44 million increase in salary and employee benefits, a slight \$7,000 increase in office supplies, offset by a \$190, decrease for the loss of one contractual position and a \$40,000 reduction for a decrease in contractual overtime.

0310	Geographic Information Services	This Cost Center decreases by \$403,000, due primarily to the cutbacks on contractual positions at \$230,000, and a \$170,000 reduction in salary & benefits due primarily to the loss of one position.
0320	Security and Quality Assurance	This Cost Center, budgeted at \$144,000 is eliminated from the 2005-06 FY budget, due to the layoff of the one individual in this section, thereby eliminating the salary & benefits costs associated with this Cost Center.
0330	Voice Communications	Cost Center decreases by \$191,000 in the 2005-06 FY, due primarily to a \$120,000 reduction for the elimination of one contractual position, a \$50,000 reduction in telephone maintenance and a \$21,000 reduction in salary & employee benefits, as part of the 10% cuts.
11827	Publishing Services	This new appropriation and its 12 positions, budgeted at \$1.1 million in the 2005-06 FY budget, is the result of the consolidation of the Total Copy Center.
11828	Mailroom and Delivery	This new appropriation and its 16 positions, budgeted at \$2 million in the 2005-06 FY budget, is the result of transfers from several departments in an attempt to consolidate the mailroom & delivery functions of the City into a more efficient and faster operation.

Information Technology Services (31)

Budgeted Professional and Contractual Services by Activity	FY 2004-05 Budget	FY 2005-06 Recommended	Increase (Decrease)
Computer Operations	\$ 3,974,847	\$ 2,218,586	\$(1,756,261)
Total	\$ 3,974,847	\$ 2,218,586	\$(1,756,261)

Professional and Contractual Services decrease by \$1.7 million (44.18%) in 2005-06.

Significant Revenue Changes by Appropriation and Source

<u>Appro.</u>	<u>Program</u>	
00024	Central Data Processing	Revenue increases slightly by \$2,415.
11827	Publishing Services	This new revenue budgeted at \$227,000 in the 2005-05 FY, corresponds to the newly added Publishing Services section of the department.
11828	Mailroom and Delivery	This newly created revenue appropriation budgeted at \$253,000 in the 2005-06 FY; correspond to the new Mailroom and Delivery section of the department.

Issues and Questions

Pg. 31-1: Agency Goal #4 End User Training and Support:

What is the rationale for having this as a desired goal for the department? Is this goal counter productive to City employee efficiency?

Pg. 31-2: Computer Operations Goal #4 Improve training, customer satisfaction and support: Improve Help Desk customer response

The department is proposing to eliminate the Help Desk budget remaining dollars (\$160,000) for contractual employees. Given this fact, how does the department plan to meet the aforementioned objective to "Improve Help Desk customer response" with the proposed reduction in the 2005-06 FY?

Pg. 31-5: Goals: Measures Improve training, customer satisfaction and support:

The Mayor's FY 2005-06 Budget for ITS calls for an overall reduction of \$3.9 million (13.4%). Included in the cuts, are 14 layoffs. In addition, the Mayor plans on eliminating the remaining contractual dollars for citywide Help Desk services. Given these factors, are the targets listed below for FY 2005-06, realistic, attainable goals?

Goals: Measures	2002-03 Actual	2003-04 Actual	2004-05 Projection	2005-06 <u>Target</u>
Customer satisfaction rating in Help Desk services	90%	90%	90%	90%
Customer satisfaction rating in service delivery	80%	85%	90%	90%

What was the rationale for consolidating the Publishing Services and Mailroom & Delivery functions in ITS in the 2005-06 FY?

In regard to the department's 14 layoffs in the upcoming fiscal year, how will this impact the department's day-to-day operations?

Following is a historical view of the Information Technology Services Department's budget:

<u>Fiscal Year</u>	<u>Budget Amount</u>	<u>Growth Percentage</u>
1995-96	\$18.5 million	
1996-97	\$23.3 million	25.9%
1997-98	\$31.9 million	36.9%
1998-99	\$40.1 million	25.7%
1999-00	\$47.6 million	18.7%
2000-01	\$40.2 million	(15.5%) decrease
2001-02	\$47.3 million	17.7%
2002-03	\$39.8 million	(15.9%) decrease
2003-04	\$35.3 million	(11.4%) decrease
2004-05	\$29.2 million	(17.3%) decrease
2005-06 (proposed)	\$25.3 million	(13.4%) decrease

IC:DH